

STRATEGIC MANAGEMENT OF HUMAN CAPITAL

(a) Describe your human capital strategies and how they are linked to organizational mission, vision, core values, goals, and objectives.

The Defense Supply Center Philadelphia's (DSCP) key human capital strategies are those in our Organizational Development plan (Leadership, Talent, Performance Culture, and Teamwork and Partnerships) and the Learning and Growth Quadrant of our Balanced Scorecard (Knowledge and Skills, Corporate Culture, Quality Work Environment). These strategies are directly linked to our strategic goal: Ensure our workforce is enabled to deliver and sustain world-class performance. Our corporate strategies were created to directly support the DSCP mission, "To provide best value logistics support to America's Armed Forces, in peace and war around the clock, around the world." These strategies also directly support the DSCP values: our people and our diversity; our personal and organizational integrity; trusting and empowering our people to care for the interest of our customers; and innovating to improve our business practices and procedures through teamwork.

Periodic interviews with our Board of Directors (BoD) and key management personnel help assess our strengths and weaknesses, including human resources, at various points in the strategic planning process. In the human resources area, business skills assessments of the workforce are conducted and results reported to the BoD.

The DSCP Organizational Development Plan (See Chart A-1) flows out of the corporate strategy to deliver proper knowledge and skills to meet our commitment to our customers. The Organizational Development Plan outlines a variety of critical human resource initiatives underway, including math skills training (See Chart E-6), replenishment strategies, leadership programs (i.e., Management Through Leadership (MANTLE) (See Charts E-1, E-2, and E-8), and diversity (See Chart B-1) to ensure that human capital, our greatest resource, is maximized to help achieve the corporate vision.

Our Business Systems Modernization (BSM) effort aligns our employee performance management system with high performance and a customer and business focus through the inclusion of a performance rating element centered on customer service in every employee's performance standards. In this way, our employees are evaluated during the annual performance appraisal process according to how well they performed in this critical area.

We place an emphasis on higher education because we have found that employees who have academic degrees are more satisfied employees. People with higher-level degrees understand the business better, they contribute more to the organization, they generally advance into leadership positions, and they tend to stay with us longer. By encouraging our employees to attain degrees, we endeavor to help them and help the organization. Results of these efforts are shown in Chart E-4. Because of recent changes in the law, employees in contracting series 1102 (about 20 percent of our work force) are now required to hold a bachelor's degree. For several years, we have offered courses after hours on site from five colleges. Generally, between 15 and 20 classes at both the graduate and undergraduate level are provided on site each semester. In addition, our liberal tuition assistance program enables individuals to pursue their continuing educational interests at the school of their choice.

LEADERSHIP: Foster a Committed Leadership Team and Provide Continuity Through Succession Planning and Employee Retention		
Completed Actions	Ongoing Actions	Planned Actions
Identify current and required leadership competencies	Implement and operate Leadership Development Plan	Implement succession planning for key positions
Conduct targeted employee climate surveys	Conduct and track actions from climate surveys	Implement corrective actions from climate survey findings
Revise leadership expectations	Conduct quarterly supervisors' meetings	
Implement Shadowing program	Sponsor yearly leadership training events	
Develop a Leadership Development Plan	Diversify those identifying, addressing, and implementing new business initiatives	
	Rotational assignments to key positions	
	Shadowing assignments of supervisors	
TALENT: Hire and Develop Employees with the Skills for Mission Accomplishment		
Completed Actions	Ongoing Actions	Planned Actions
Implement revised new employee orientation	Hire employees who will continue to reflect the diversity of the community	Implement pre-supervisory training opportunities
Expand pool of qualified candidates by announcing all promotion opportunities as developmental assignments	Encourage higher education and personal development through college and certificate programs and liberal tuition assistance	Implement Return on Investment mechanism for core competency training
	Promote DLA executive development	Implement Corporate University
	Build skills through professional certifications, multifunctional training, and special needs training	
	Address supervisory development	
	Implement Business Analysis skills training	
PERFORMANCE CULTURE: Enable and Motivate Performance While Ensuring Accountability and Fairness for All Employees		
Completed Actions	Ongoing Actions	Planned Actions
Establish strategy for improving representation	Address diversity and demographics	Align individual performance plans with strategic direction
Conduct Focus groups – Communication and Trust	Foster atmosphere of mutual trust and respect	Align recognition systems with strategic direction
Assign mentor/buddy for all new hires	Implement active communications plan	Offer career guidance to employees at GS-9 and below
Create active communications plan		
TEAMWORK AND PARTNERSHIPS: Enable High Performance Through Building Alliances With Peers and Partners.		
Completed Actions	Ongoing Actions	Planned Actions
	Pursue and create active partnership with Union	Implement mentoring program
		Implement expanded rotation program

Chart A-1 Organizational Development Plan

(b) Describe how you are using strategic workforce planning, HR flexibilities, technology, and other tools to recruit, retain, and reward employees.

When recruiting new employees, we seek applicants with college degrees related to our business. We evaluate them based on their business skills, communication abilities, analytical skills, technology capabilities, and understanding of our business. If a newly hired employee has

a specialized background in an area directly related to one of our commodities, e.g., textiles, the applicant would be placed in an area to take advantage of that expertise. In the case of generalized business knowledge, new hires are placed according to the greatest need among the various offices.

Based on an analysis of the makeup of our workforce, we recognized the need to more aggressively recruit a diverse group of employees to ensure that our workforce will continue to reflect the community in which we operate. While overall representation is consistent with our local population, representation is not consistent at all grade levels. Based on analysis, we discovered that under-representation at higher grades is primarily because candidates lack the educational requirements for higher grades. We are targeting under-represented groups through recruiting at Historically Black Colleges and Historically Hispanic Colleges so there will be more qualified applicants for promotions in the future (See Chart B-1).

Total Hires	Interns Minority	Interns Non-Minority	Co-ops Minority	Co-ops Non-Minority
FY 00	16	30	N/A	N/A
FY 01	77	50	18	13
Total	93	80	18	13

Chart B-1 Targeted Hiring

DSCP's emphasis in this area has been so focused that we served as a benchmark and successfully championed the issue as a candidate for inclusion in the Defense Logistics Agency (DLA)-wide strategic plan. We also initiated the effort to include representation of groups at all levels as a measure in the DLA Balanced Scorecard. In addition to specifically targeting under-represented groups for new jobs at DSCP, we are addressing the needs of our current employees in under-represented groups as well. We have created a "Strategy for Improving Representation" that targets specific programs for inclusion of minority participants.

One of our unique initiatives is our Fellowship program. Employees apply for an opportunity to attend the graduate or undergraduate school of their choice full time for one academic year at full salary on our time, relieved of requisite duties. This gives participants an opportunity to accelerate their progress toward achieving a degree. To our knowledge, we are the only activity in DLA and one of few in the Federal Government to provide this opportunity to employees. We have found that the opportunity to participate in the fellowship program is a unique perk that few organizations can match. It serves as a valuable recruitment incentive for our new college graduates to pursue their goal of attaining a higher degree.

We motivate employees to develop and utilize their full potential by providing multiple opportunities for them to expand their knowledge and training. In addition, we share information with them regarding education levels and promotion potential, emphasizing the parallel between education levels and grade achieved.

Our recognition system further reinforces high performance and a customer and business focus through various formal and informal venues (See Chart B-2). We provide opportunities that enable employees to provide peer recognition for a job well done, sponsor DSCP-specific award programs, and promote Government-wide recognition opportunities that acknowledge and express appreciation for continuous sustained performance or for specific instances of

outstanding achievement. In addition to the use of performance awards, special act awards, and time-off awards, which are available throughout the Federal system, we have implemented “On the Spot” awards, which are DLA awards that give supervisors the opportunity to recognize special service or performance with a nominal cash award (up to \$475).

Award Types	Individual	Supervisor	Team
On the Spot	X	X	X
Special Act	X	X	X
Positive Leadership		X	
Commander’s Prize for Creativity & Innovation	X	X	X
Employee of the Month	X		
Pat on the Back	X		X

Chart B-2 Awards by Targeted Groups

We have also implemented some award programs of our own to stimulate and recognize behaviors that we want to promote throughout the Command. The “Positive Leadership Award” recognizes those individuals who have created an atmosphere that allows employees to do their best. An important feature of this award is that the nomination must come from the employees that the recipient supervises, making the award that much more significant. The “Commander’s Prize for Creativity and Innovation” recognizes those who have demonstrated unusual creativity in concept or execution. Our “Employee of the Month” program operates on a Command level, but most of our commodity directorates sponsor their own program as a way of selecting the best nominations for the Command award. This is, in turn, used to provide nominations to the DLA Employee of the Quarter and Employee of the Year awards. Our peer recognition program, implemented in 1995, is called the “Pat on the Back” award. This program is for employees only. It gives them the opportunity to nominate another employee or for an employee to nominate them. Employees receive a two-part card with a brief statement of why the presenter is recognizing the recipient. The employee keeps that section of the card and turns in the other half in exchange for a token gift, such as an umbrella, tote bag, or thermal bottle carrier.

Our commodities sponsor internal informal awards as well. For example, our Subsistence area sponsors an award called the “Fruit Cup,” which recognizes teams within the directorate. In place now for nearly two years, our Commander presents the Fruit Cup at a Subsistence all-hands meeting. The award travels from team to team like ice hockey’s Stanley Cup. Our General and Industrial directorate’s program focuses on customer satisfaction. When external customers call or write to thank an employee for outstanding assistance, the employee is recognized with a “Shining Star.” Increasing levels of assistance and multiple instances are recognized through graduated levels of appreciation.

We continue to recognize our employees after they have left our organization. Each year, we induct former employees into the DSCP Hall of Fame in recognition of their outstanding contribution to the organization during their tenure at DSCP.

(c) Describe how you have developed your leadership and organization's culture to support a high-performing workforce that continuously improves its productivity.

We have concentrated on developing our leaders and our organization culture through using a structured, systematic approach, and addressing issues that support a high-performing workforce. The primary vehicle we have used to address these issues is our Organizational Development Plan (See Chart A-1), which coordinates a comprehensive approach to implement cultural development and organizational change into our operations. The objectives of the plan are:

- ?? To create and sustain a high performance organization.
- ?? To create an environment for innovation, learning, and knowledge sharing.
- ?? To enable and encourage all employees to contribute effectively and to the best of their ability.
- ?? To enable employees to develop and utilize their full potential.
- ?? To build and maintain a work environment and an employee support climate conducive to performance excellence, full participation, and personal and organizational growth.

Leadership is one of the key focus areas of the plan, and we have created a comprehensive internal leadership development program to provide formal training and other developmental opportunities to our supervisory cadre. Our Leadership Development Plan includes classroom training, communication events (Chart E-1), shadowing, one-year rotational assignments (Chart E-2), and subordinate feedback on leadership (Chart E-8). The activities included in our Leadership Development Plan are designed to provide skills consistent with the Leadership Competencies identified by the Office of Personnel Management, as well as our internally identified leadership expectations.

We design, organize, and manage work and jobs to promote cooperation, initiative/innovation, organization culture, and the flexibility to keep current with business needs through creating customer-oriented, multi-functional positions within each work unit. We have moved away from an organization structure that was functionally driven within each commodity to a structure that stimulates independent thinking, customer service, commercial practices, and overall supply chain management (See Chart C-1).

Characteristics	Pre-CBU	CBU	BSM
Skills Needed	Single	Multi-functional	Integrated
Cooperation	Limited	Moderate	Intensive
Initiative Opportunities	Limited	Moderate	Required
Communication	Limited	Moderate	Required
Knowledge Sharing	Limited	Moderate	Required
Focus	Individual	Team	Natural work group

Chart C-1 Evolving Characteristics of Work

In our former structure, people were grouped according to their area of functional expertise—contracting, inventory management, engineering, etc. We realized that to create a more customer-driven organization, we needed to focus on making sure that all parts of our system worked together. We realigned into units that are segmented by product and aligned with customer groups, rather than by functional discipline. This has facilitated communication by

those who have the functional expertise to address issues to work together in making sure customer needs are met. Our current structure stimulates cooperation through having those who need to work together accessible and in regular contact with each other. Instead of focusing on an issue as it relates to a particular function, the parties with the knowledge and responsibility to solve problems are focused on meeting the needs of the customer. This also provides opportunities for innovation and initiative through creating an expectation that individuals will do whatever is necessary (within the constraints of the law) to solve a customer's problem.

We are in the process of undergoing further refinement of our structure through the BSM effort. Part of that effort will be a redesign of positions into "role-driven" positions. For example, positions are being redesigned from traditional roles of "Item Manager" to "Demand Planner," which will require a fuller integration of customer requirements into our business practices at every step along the supply chain.

Our leadership development programs are aimed primarily at longer-term development of our workforce. In addition, we offer many opportunities through long-term developmental programs, such as those conducted by the U.S. Department of Agriculture Graduate School, the Council for Excellence in Government, and Simmons College. We target certain opportunities specifically to our senior leaders, such as programs run through Harvard University, the Center for Creative Leadership, the Aspen Institute, and Darden Graduate School. In addition, when opportunities arise that are especially applicable to our business, such as a program on Supply Chain Management from the University of Tennessee, we advertise those programs to give all our employees a chance to enhance their skills and education.

Our progress in developing our organizational culture is determined through formal methods, such as our climate survey (See Chart E-7) and focus groups and through informal methods, such as town hall meetings and sensing sessions with the Commander. Our employees in Europe and the Pacific have an opportunity to participate in regional town hall meetings and sensing sessions with the regional commanders. When possible, town hall meetings are scheduled to coincide with the DSCP Commander's visits. "Rumor control" is a technique that encourages employees to ask any question and to get an answer on the spot. It is used at most gatherings throughout the command to respond to concerns or correct perceptions about events that might be unfounded.

Our Management Through Leadership (MANTLE) program gives employees an opportunity to give their manager feedback regarding their effectiveness in critical areas. This process keeps the individual employee feedback anonymous to the manager being rated, and keeps the manager's cumulative score anonymous to the employees generating feedback (See Chart E-8).

Other efforts to continuously improve performance and increase productivity are created and managed at the working level. Some of our directorates have created a training program to meet unique needs of their employees. For example, our Clothing and Textiles organization has created the "C & T University" to educate those who work with products such as uniforms, tents, and related goods about the various issues associated with ensuring our Military forces get the products that meet their needs. Initiated in FY 01, one-hour sessions are held weekly on topics related to clothing and textiles or contracting issues. To date, participation has been much higher than expected, with about 65 percent of the eligible employees attending. Sessions are repeated if interest exceeds room capacity. Our Subsistence directorate implemented a program in

January 2000, of self-development programs related to issues like self-esteem, conflict resolution, and positive attitudes.

(d) Describe your efforts in identifying the core competencies of the organization and how you determined the most effective and efficient way to develop and maintain those core competencies (i.e., building in-house capacity or contract for services).

We have identified skills needed by current and potential employees through conducting a detailed Business Analysis Skills (BAS) study. We started with a series of focus groups to determine the skills employees will need in the future. Then we conducted tests to assess the current skill levels of our employees in comparison to those needed. We are now providing refresher training to our current employees to bring their skills up to the required levels as well as hiring employees whose skills are current with anticipated requirements.

Education and training contribute to the achievement of our action plans through providing our employees with the skills needed to accomplish our mission and meet changing customer requirements. In implementing the Balanced Scorecard, one of the measures we will use is an assessment of skill levels and the percentage of training devoted to specific targeted skills. We are in the process of implementing a method to gather and track this data quarterly.

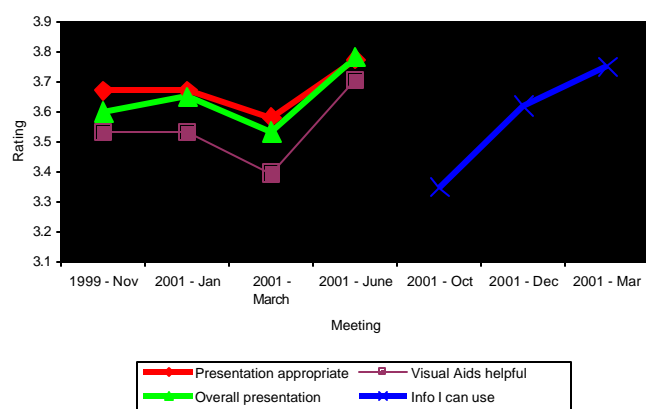
We design education and training to meet current and future business and individual needs by careful analysis of identified needs and identifying training and educational resources to address identified deficiencies. We have used the resources of Penn State University to conduct a study on the return on our investment for the fellowship program. The Office of Personnel Management (OPM) conducted our Business Analysis Skills study, and we participated in a study done by Vector Research, Inc. on corporate approaches to workforce development. The study by OPM identified the skills and abilities that would be needed by our employees to perform the work required successfully. We then tested groups of employees to determine current skills levels in the areas identified as important to future success. Based on the results and the differences in the skills levels, we have initiated refresher training in skills to bring performance up to desired levels. Initial results have been very positive, with higher numbers of employees passing a math-intensive contracting course after participating in the math refresher course (See Chart E-6).

We seek and use input from employees on education and training needs and delivery options to determine what kind of opportunities we will offer, suggestions for various topics, and how certain information should be presented. Before setting the schedule for our on-site after hours college courses, we announce a schedule to the workforce to determine the level of interest in each course so we can offer those with the highest levels of interest. At our supervisory meetings and annual offsite, we solicit suggestions for topics to be covered at subsequent events, then incorporate some of those suggestions into the planning for future meetings. We vary the delivery methods so we can accommodate various groups of employees. In addition to traditional classroom training, we have expanded our use of satellite broadcasts (9 broadcasts in the Fall of 2001, and 12 scheduled for Spring 2002) to deliver training on-site, and we are in the early stages of using web-based methods to deliver training right to the desktop.

We use many methods to deliver education and training. Formal methods include instructor-led discussion in classrooms, satellite training, web-based training, and meetings. Informal options include e-mail, “Lunch and Learn” sessions, and on-the-job peer training. Based upon research on characteristics of excellent mentoring programs, we are implementing a formal mentoring program which will include a combination of both classroom training and informal learning through the mentoring relationship. Formal training for the mentors and protégés will include coaching skills, the mentoring relationship, and goal setting. Additional training for the protégés includes creative problem solving and Covey’s Seven Habits. We are phasing in the mentoring program to include both new hires and current established employees. We have arranged with the Naval Inventory Control Point to administer this program for us as their mentoring program has been recognized nationally as an outstanding program. In addition, as a fellow Federal organization, the Navy program will be an efficient use of available funds, costing about \$500 per participant for the entire 1-year formal program. We reinforce the use of knowledge and skills on-the-job by providing training, when possible, so it can immediately be put to use. In addition, in the case of employees who return from long-term training assignments, we encourage supervisors to assign new duties or responsibilities to these employees that take advantage of the skills learned.

(e) What were your results?

Our Organizational Development Plan includes an annual offsite and quarterly meetings for all our supervisors. Chart E-1 reflects the evaluation of these meetings. The offsites have been evaluated since November 1999, although there were some events prior to 1999. Quarterly meetings were introduced in March 2001, following our January Supervisors Offsite. We now evaluate the meetings based solely on whether the supervisors got information they can use. Evaluations are on a 5-point scale, with 3 being “Met Expectations,” and 5 being “Exceeded



Expectations.”

Chart E-1, Supervisory Communication Event Evaluations

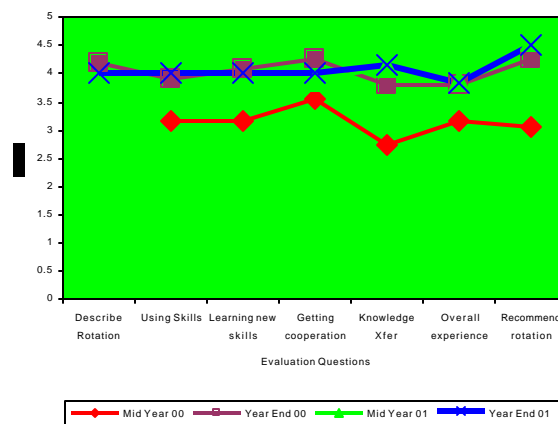


Chart E-2, Rotation Evaluations

We began a year-long rotation of our supervisors and managers in 2000. The rotation participants are both volunteers and management reassignments. Participants have been in grades 13-15. To ensure that the rotation program is providing meaningful learning opportunities for the participants, we ask the participants to evaluate their experience

through the year, and again at the end of the year. Evaluations of the rotation are shown in chart E-2.

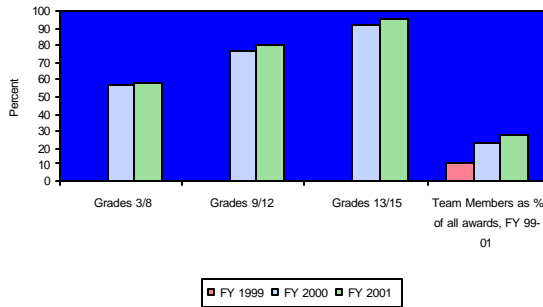


Chart E-3, Significant Monetary Awards, Percent by Grade and Team

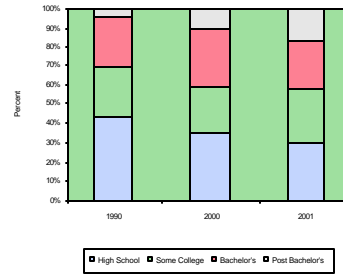


Chart E-4, DSCP Education Profile

Chart E-3 indicates the percentages of employees at various grade levels who have received an award of \$500 or more during FY 00 and FY 01. We have also made significant inroads in recognition of our employees who contribute to our success as members of a team. The percent of awards given to teams has more than doubled in two years, also shown in Chart E-3.

Chart E-4 indicates the level of success we have had in raising the education levels of our workforce. In 1990, over 40 percent of our workforce had completed no higher than high school. Today that number is 30 percent, and the percentage who have some post bachelor's degree education, regardless of graduate degrees, has increased by 12 percent in that same time.

Our continuous efforts to support the development of our workforce can be seen through our exceeding the budgeted goal set by our headquarters for expenditures on education and training each year, as shown in Chart E-5. The percent goal of a 2000 Malcolm Baldrige National Quality Award winner is also shown on this chart.

The effectiveness of our Math Refresher course, described above, is shown in Chart E-6. The chart shows the number of people who attended the class and the percentage of those who passed the contracting course has increased since we initiated the math refresher.

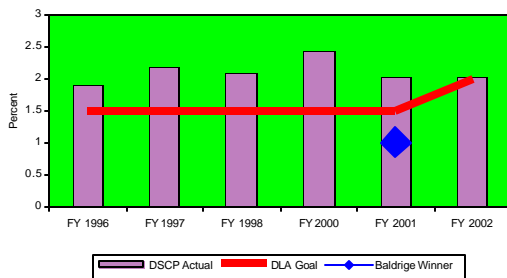


Chart E-5, Training as % of Budget

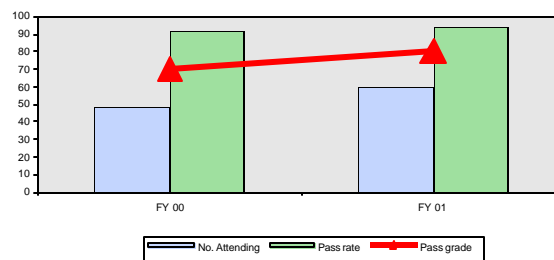


Chart E-6, Math Refresher

We initiated a climate survey in October 2001, to assess various factors that impact employee satisfaction. Overall survey results by broad category areas are shown in Chart E-7, including results segmented by employee group—overall, supervisors, and non-supervisors. Generally, supervisors are more satisfied than non-supervisory employees, which is a typical response.

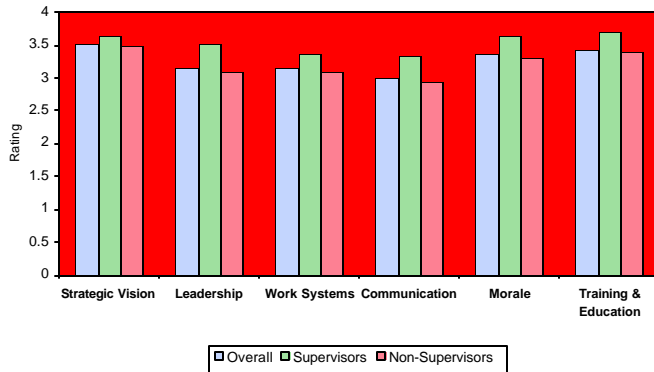


Chart E-7, Climate Survey Results Categorized

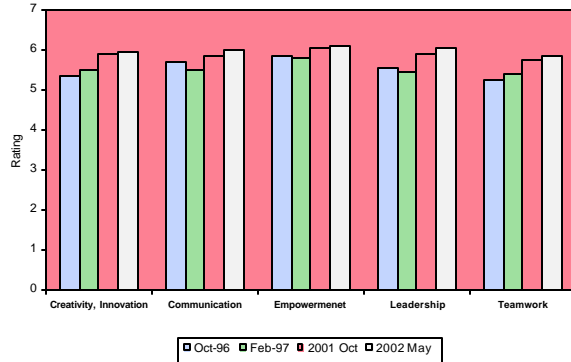


Chart E-8, MANTLE Results

Results from our leadership feedback tool, MANTLE, also used, are shown in chart E-8. The scale used for MANTLE is 1 (unable to meet this standard consistently) to 7 (consistently meets this standard). Results have continued to improve each time MANTLE has been administered.

The improvements achieved are the result of our organization's commitment to develop our workforce and create a high-performance workplace. The results indicate sustained efforts that can be achieved by other Federal organizations making a similar commitment to meeting these goals.